

PAINTED PONY PETROLEUM LTD.

**NOTICE OF ANNUAL AND SPECIAL MEETING
OF SHAREHOLDERS TO BE HELD
JUNE 4, 2008**

and

**INFORMATION CIRCULAR
Dated April 7, 2008**

PAINTED PONY PETROLEUM LTD.

**NOTICE OF THE
ANNUAL AND SPECIAL MEETING
OF SHAREHOLDERS TO BE HELD ON JUNE 4, 2008**

NOTICE IS HEREBY GIVEN that the annual and special meeting (the "**Meeting**") of the shareholders of Painted Pony Petroleum Ltd. (the "**Corporation**" or "**Painted Pony** ") will be held at the Viking Room, Petroleum Club, 319-5th Avenue S.W., Calgary, Alberta, on Wednesday, the 4th day of June, 2008 at 3:00pm (Calgary time) for the following purposes:

1. To receive the consolidated financial statements of the Corporation for the period ended December 31, 2007;
2. To fix the number of directors to be elected at the Meeting at six (6) and to elect the Board of Directors of the Corporation until the next annual meeting of shareholders;
3. To appoint auditors until the next annual meeting of shareholders and to authorize the directors to fix the remuneration to be paid to the auditors;
4. To consider, and if thought fit, to pass an ordinary resolution set out in the Information Circular ratifying the Corporation's incentive stock option plan, as more particularly described in the Information Circular;
5. To consider, and if thought fit, to pass a special resolution in the form presented in the Information Circular accompanying this Notice of Meeting approving the amendment of the Articles of the Corporation to, among other things, cancel the Painted Pony authorized common voting shares and common non-voting shares, of which no shares are issued or outstanding; and
6. To transact such other business as may properly be brought before the Meeting or any adjournment thereof.

Information relating to the matters to be brought before the Meeting is set forth in the Information Circular which accompanies this Notice of Meeting.

DATED at Calgary, Alberta as of the 7th day of April, 2008.

BY ORDER OF THE BOARD OF DIRECTORS

"Patrick R. Ward"

Patrick Ward

President & Chief Executive Officer

IMPORTANT

Only holders of class A shares and class B shares of the Corporation (collectively referred to as the "**Shares**") of record at the close of business on April 7, 2008 (the "**Record Date**") are entitled to notice of and to participate at the Meeting and only such persons or those who become holders of Shares after the Record Date and comply with the provisions of the *Business Corporations Act* (Alberta) (the "**ABCA**") are entitled to vote at the Meeting. If you are unable to attend in person, kindly fill in, sign and return the enclosed proxy in the envelope provided for that purpose. Proxies, to be valid, must be deposited at the registrar and transfer agent of the Corporation, Olympia Trust Company, 2300, 125-9 Avenue S.E., Calgary, Alberta T2G 0P6 not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, preceding the Meeting or any adjournment thereof.

PAINTED PONY PETROLEUM LTD.

**402, 620 - 12th Avenue S.W.
Calgary, Alberta, Canada, T2R 0H5**

INFORMATION CIRCULAR

PURPOSE OF SOLICITATION

This Information Circular is furnished in connection with the solicitation of proxies by the management of Painted Pony Petroleum Ltd. (the "Corporation" or "Painted Pony ") for use at the annual and special meeting (the "Meeting") of shareholders of the Corporation to be held at the Viking Room, Petroleum Club, 319 - 5 Avenue S.W., Calgary, Alberta, on Wednesday, June 4, 2008, at 3:00 pm, Calgary time, and at any adjournment thereof for the purposes set out in the accompanying Notice of Meeting. Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone by directors, officers or regular employees of the Corporation. Arrangements have been made with clearing agencies, brokerage houses and other financial intermediaries to forward proxy solicitation material to the beneficial owners of the class A shares (the "**Class A Shares**") and the class B shares (the "**Class B Shares**") of the Corporation (collectively referred to as the "**Shares**"). The cost of any such solicitation will be borne by the Corporation.

VOTING OF PROXIES

All Shares represented at the Meeting by properly executed proxies will be voted and where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy, the Shares represented by the proxy will be voted in accordance with such specifications. **In the absence of any such specifications, the management designees, if named as proxy, will vote in favour of all the matters set out herein.**

The enclosed Instrument of Proxy confers discretionary authority upon the management designees, or other persons named as proxy, with respect to amendments to or variations of matters identified in the Notice of Meeting and any other matters which may properly come before the Meeting. At the date of this Information Circular, the Corporation is not aware of any amendments to, or variations of, or other matters which may come before the Meeting. In the event that other matters come before the Meeting, then the management designees intend to vote in accordance with the judgment of the management of the Corporation.

Proxies, to be valid, must be deposited at the registrar and transfer agent of the Corporation, Olympia Trust Company, 2300, 125 - 9 Avenue S.E., Calgary, Alberta T2G 0P6, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, preceding the Meeting or any adjournment thereof.

APPOINTMENT OF PROXY

A shareholder has the right to designate a person (who need not be a shareholder of the Corporation) other than Patrick R. Ward and Joan E. Dunne, the management designees, to attend and act for the shareholder at the Meeting. Such right may be exercised by inserting in the blank space provided the name of the person to be designated and deleting there from the names of the management designees, or by completing another proper instrument of proxy and, in either case, depositing the instrument of proxy with Olympia Trust Company, 2300, 125 - 9 Avenue S.E., Calgary, Alberta T2G

0P6, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, preceding the Meeting or any adjournment thereof.

REVOCATION OF PROXIES

A shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy.

A shareholder may revoke a proxy by depositing an instrument in writing, executed by the shareholder or his attorney authorized in writing, or, if the shareholder is a corporation, under its corporate seal or signed by a duly authorized officer or attorney for the corporation:

- (a) at the offices of the registrar and transfer agent of the Corporation, Olympia Trust Company, 2300, 125 - 9 Avenue S.E., Calgary, Alberta T2G 0P6, at any time, not less than 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Alberta, preceding the Meeting or an adjournment of the Meeting at which the proxy is to be used; or
- (b) with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.

In addition, a proxy may be revoked by the shareholder executing another form of proxy bearing a later date and depositing same at the office of the Registrar and Transfer Agent of the Corporation within the time period set out under the heading "Voting of Proxies", or by the shareholder personally attending the Meeting and voting his or her shares.

ADVICE TO BENEFICIAL HOLDERS OF SHARES ON VOTING SHARES

The information set forth in this section is of significant importance to many shareholders of the Corporation, as a substantial number of shareholders do not hold their Shares in their own name. Shareholders who do not hold their shares in their own name (referred to in this Information Circular as "**Beneficial Shareholders**") should note that only proxies deposited by shareholders whose names appear on the records of the Corporation as the registered holders of Shares can be recognized and acted upon at the Meeting. If Shares are listed in an account statement provided to a shareholder by a broker, then, in almost all cases, those shares will not be registered in the shareholder's name on the records of the Corporation. Such shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the nominee of The Canadian Depository for Securities Limited, which acts as depository for many Canadian brokerage firms). Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, a broker and its agents and nominees are prohibited from voting shares for the broker's clients. Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Shares are communicated to the appropriate person.

Applicable regulatory rules require intermediaries/ brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/ broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Shares are voted at the meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the registered shareholder (the broker or agent of the broker) how to vote on behalf of the Beneficial

Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions ("**Broadridge**") (formerly ADP Investor Communications). Broadridge typically applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the proxy forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at a meeting. **A Beneficial Shareholder receiving a proxy with a Broadridge sticker on it cannot use that proxy to vote Shares directly at the Meeting. The proxy must be returned to Broadridge well in advance of the Meeting in order to have the shares voted at the Meeting.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Shares registered in the name of his or her broker (or an agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for the registered shareholder and vote the Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Shares as proxyholder for the registered shareholder, should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The only outstanding securities of the Corporation carrying voting rights are the Class A Shares and Class B Shares. The Corporation is authorized to issue an unlimited number of Shares without nominal or par value, of which, as at the date hereof 19,392,700 Class A Shares and 1,173,600 Class B Shares are issued and outstanding and entitled to vote at the Meeting on the basis of one (1) vote for each Share held.

The holders of Shares of record at the close of business on the record date, set by the board of directors of the Corporation (the "**Board of Directors**" or "**Board**") to be April 7, 2008 (the "**Record Date**"), are entitled to vote such Shares at the Meeting, except to the extent that:

- (a) such person transfers his or her Shares after the Record Date; and
- (b) the transferee of those shares produces properly endorsed share certificates or otherwise establishes his or her ownership to the shares and makes a demand to the registrar of the Corporation, not later than 10 days before the Meeting, that his or her name be included on the shareholders list for the Meeting.

The by-laws of the Corporation provide that one person present and representing, in person or by proxy, not less than 10% of the issued shares entitled to vote constitute a quorum for meetings of shareholders of the Corporation.

To the knowledge of the directors and executive officers of the Corporation, as of the date hereof, the following persons beneficially own, directly or indirectly, or exercise control or direction over Shares carrying 10% or more of the voting rights attached to the outstanding Shares:

<u>Name and Municipality Of Residence</u>	<u>Designation of Class</u>	<u>Type of Ownership</u>	<u>Number</u>	<u>% of Shares</u>
Crescent Point Resources Limited Partnership	Class A	Direct	4,110,000	21.2%

Interward Asset Management Ltd. ⁽¹⁾	Class B	Control or Direction	188,750	16.1%
Note:				

- (1) Interward Asset Management Ltd. exerts control and/or direction over both Interward Capital Corp., which owns 134,750 Class B Shares of the Corporation, and Rockhaven Holdings Ltd., which owns 54,000 Class B Shares of the Corporation.

PARTICULARS OF MATTERS TO BE ACTED UPON

To the knowledge of the Board of Directors of the Corporation, the only matters to be placed before the Meeting are those matters set forth in the accompanying Notice of Meeting relating to: (i) receipt of the consolidated financial statements of the Corporation for the financial period ended December 31, 2007; (ii) fixing the number of directors to be elected at the Meeting and the election of directors until the next annual meeting of shareholders; (iii) the appointment of auditors; (iv) the ratification of the Corporation's incentive stock option plan; and (v) the Amendment to the Articles.

Election of Directors

There are presently six (6) directors of the Corporation, each of whose term of office shall expire at the termination of the Meeting unless such director is re-elected as a director at the Meeting.

It is proposed that the number of directors to be elected at the Meeting be set at six, and that the persons named below will be nominated at the Meeting. **It is the intention of the management designees, if named as proxy, to vote for the election of said persons to the Board of Directors. Management does not contemplate that any of such nominees will be unable to serve as directors; however, if, for any reason any of the proposed nominees do not stand for election or are unable to serve as such, proxies in favour of management designees will be voted for another nominee in their discretion unless the shareholder has specified in his or her proxy that his or her shares are to be withheld from voting in the election of directors.** Each director elected will hold office until the Corporation's next annual meeting of shareholders or until his successor is duly elected or appointed pursuant to the by-laws of the Corporation.

The following information relating to the nominees as directors is based on information received by the Corporation from said nominees.

<u>Name, Position with Painted Pony and Municipality of Residence</u>	<u>Principal Occupation in the Last Five Years</u>	<u>Director Since</u>	<u>Number of Class A Shares or Class B Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed ⁽⁵⁾</u>
Patrick R. Ward President, Calgary, Alberta	President of the Corporation since May, 2007. Vice-President, Exploration of Innova Exploration from May 2004 to May 2006. Manager, Geology & Geophysics with NCE Resources Group and Petrofund Energy Trust from 1999 to 2003.	April 3, 2007	1,218,000 Class A Shares

Name, Position with Painted Pony and Municipality of Residence	Principal Occupation in the Last Five Years	Director Since	Number of Class A Shares or Class B Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed⁽⁵⁾
Ronald R. Talbot ⁽²⁾⁽⁴⁾ Non-Executive Chairman and Director Calgary, Alberta	Exploration Consultant in the energy sector since 2002. Dean of the Energy Department at the Southern Alberta Institute of Technology (SAIT) from January 2000 to 2002.	April 3, 2007	140,000 Class A Shares
Glenn R. Carley ⁽¹⁾⁽²⁾ Director Calgary, Alberta	Executive Chairman and Director of Flagship Energy and Galleon Energy Inc. Chairman of Culane Energy Corp from December 2002 to the present. Chairman of High Point Resources Inc. from October 2001 to August 2005.	April 3, 2007	146,000 Class A Shares
Kevin Angus ^{(1) (4)} Director Calgary, Alberta	Executive Vice-President and Director of Pegasus Oil and Gas Inc. since June 2006 and prior to that, Vice-President, Exploration at Mustang Resources Inc. from June 2003 to July 2005.	April 3, 2007	194,000 Class A Shares
Allan K. Ashton ⁽¹⁾⁽²⁾⁽³⁾ Director Priddis, Alberta	Chairman of the Board and co-founder of AJM Petroleum Consultants since 1999.	April 3, 2007	196,000 Class A Shares
Craig Reed Director Toronto, Ontario	Director, Cross Border Services of Pitney Bowes Inc. since 2005. Between 1999 and 2005, Vice President, Operations then President, Borderfree, Ltd., a predecessor of the Corporation.	January 31, 2007	5,000 Class A Shares

Notes:

- (1) Member of the Corporation's Audit Committee
- (2) Member of the Corporation's Compensation Committee.
- (3) Member of the Corporation's Corporate Reserves Sub Committee of the Audit Committee.
- (4) Member of the Corporation's Corporate Governance Committee.
- (5) These amounts do not include any Shares issuable upon the exercise of stock options.

As of the date hereof the directors and officers of the Corporation and its subsidiaries, as a group, own or control, directly or indirectly, an aggregate of 5,209,900 Class A Shares representing 26.9% of the issued and outstanding Class A Shares and 6,000 Class B Shares representing 0.5% of the issued and outstanding Class B Shares.

No proposed director of the Corporation is, as of the date of this information circular, or has been, within the past 10 years, a director or executive officer of any company (including Painted Pony) that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation for a period of more than 30 consecutive days; or

(b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade order or similar order or an order that denied the company access to any exemption under applicable securities legislation for a period of more than 30 consecutive days.

No proposed director of the Corporation is, as of the date of this information circular, or has been within the past 10 years, a director or executive officer of any company (including Painted Pony) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No proposed director of the Corporation has, within the past 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

Appointment of Auditors

The management designees, if named as proxy, intend to vote the Shares represented by any such proxy in favour of a resolution to reappoint KPMG LLP, Chartered Accountants, as auditors of the Corporation to hold office until the next annual general meeting of shareholders and to authorize the directors to fix their remuneration, unless the shareholder has specified in the shareholder's proxy that the shareholder's shares are to be withheld from voting in the appointment of auditors. The resolution must be approved by a simple majority approval of the votes cast at the Meeting by the holders of Shares. If elected, KPMG LLP will hold office as auditor of the Corporation until the next annual meeting of shareholders or until their successor is duly elected or appointed pursuant to the by-laws of the Corporation, unless their position is earlier vacated in accordance with the provisions of the *Business Corporations Act* (Alberta) (the "ABCA") or the Corporation's by-laws.

Soberman LLP resigned as auditors of the Corporation and KPMG LLP was appointed as auditors of the Corporation on August 15, 2007. The full reporting package with respect to the resignation and appointment of the Corporations auditors is set out in Schedule "A" hereto.

Ratification of Stock Option Plan

Pursuant to the policies of the TSX Venture Exchange ("TSXV"), shareholders will be asked to consider and if thought fit, approve an ordinary resolution to approve the Corporation's existing stock option plan adopted by the Board of Directors on May 17, 2007 (the "**Stock Option Plan**").

The Stock Option Plan provides that the Board of Directors may from time to time, in its discretion, grant to the directors, officers, employees, consultants and other personnel of the Corporation and its subsidiaries or affiliates the option to purchase Class A Shares. The number of authorized but unissued Class A Shares that may be issued upon the exercise of options granted under the Stock Option Plan at any time plus the number of Class A Shares and Class B Shares reserved for issuance under outstanding incentive stock options otherwise granted by the Corporation shall not exceed 10% of the aggregate number of Class A Shares and Class B Shares. As at the date hereof, this represents 2,056,630 Class A Shares available under the Stock Option Plan. To date, options to purchase a total of 1,347,000 Class A Shares have been issued to directors, officers, employees and consultants of the Corporation.

The number of Class A Shares that may be reserved for issuance to any one person under options granted in any 12 month period shall not exceed 5% of the outstanding Class A and Class B Shares determined at the date of grant (or 2% of the issued and outstanding Class A and Class B Shares in the case of an optionee who is a consultant or who performs investor relations activities for the Corporation). The Board of Directors determines the price per Class A Share and the number of Class A Shares that may be allotted to each director, officer, employee and consultant and all other terms and conditions of the options, subject to the rules of the TSXV. The price per Class A Share set by the Board of Directors is subject to minimum pricing restrictions set by the TSXV.

The Stock Option Plan provides that if an option expires or terminates without having been exercised in full, the Class A Shares not purchased become available again under the Stock Option Plan. Options granted under the Stock Option Plan may be exercisable for a period of up to five (5) years, and may vest at such times as determined at the time of grant. The exercise price must be paid in full on any exercise of options.

If an optionee ceases to hold his position with the Corporation for any reason other than death, his options may be exercised within the earlier of the expiry date and 30 days after such position ends, but only to the extent the optionee was entitled to exercise the option at the date of such cessation. In the event of death of an optionee, his options may be exercised within the earlier of the expiry date and one (1) year after his death and only to the extent the Optionee was entitled to exercise the Option at the date of death. Options granted pursuant to the Stock Option Plan may not be transferred or assigned. The full text of the Stock Option Plan is set out in Schedule "B" hereto.

The directors are seeking ratification of the Stock Option Plan by shareholders for the ensuing year. As a result, management of the Corporation will place before the Meeting the following resolution relating to the approval of the Stock Option Plan:

"BE IT RESOLVED THAT:

- (a) The stock option plan of the Corporation set forth in Schedule "B" to the Notice of the Annual and Special Meeting of Shareholders and Information Circular of the Corporation dated April 7, 2008 is hereby ratified and approved as the incentive stock option plan of the Corporation;
- (b) Any one director or officer of the Corporation be authorized to make all such arrangements, to do all acts and things and to sign and execute all documents and instruments in writing, whether under corporate seal or otherwise, as may be considered necessary or advisable to give full force and effect to the foregoing; and
- (c) The directors of the Corporation may revoke this resolution before it is acted upon without further approval of the shareholders, if they consider it in the best interests of the Corporation to do so."

The foregoing resolution must be passed by a majority of the votes cast by shareholders who vote on the resolution at the Meeting. **It is the intention of the management designees, if named as proxy, to vote for the foregoing resolution, unless otherwise directed in the Instrument of Proxy.**

Cancellation of Common Voting and Common Non-Voting Shares

Painted Pony Petroleum Ltd. is the successor, by continuance and reorganization, to 1300873 Alberta Ltd. ("1300873"), incorporated as 1369127 Ontario Inc. ("1369127") on August 12, 1999 in the

Province of Ontario pursuant to the provisions of the *Business Corporations Act* (Ontario). On October 7, 1999, 1369127 changed its name to The Etail Factory Ltd. ("**Etail**") and on June 19, 2000, Etail changed its name to Borderfree Ltd. ("**Borderfree**"). On April 28, 2006, Borderfree changed its name to 1369127 Ontario Inc. ("**1369127**"). On February 2, 2007, 1369127 changed its name to BFL Energy Ltd. ("**BFL**") and amended its articles to consolidate its issued common voting shares on a 2,500 to 1 basis. On February 13, 2007, BFL was continued into the Province of Alberta under the ABCA and filed articles of amendment changing its name from BFL to 1300873. On April 3, 2007, the Corporation filed articles of amendment to change its name to Painted Pony Petroleum Ltd., to create the Class A Shares, Class B Shares and Preferred Shares, issuable in series, to reconstitute each issued and outstanding common voting share of the Corporation for 150 Class A Shares and 33.75 Class B shares and to remove the private company restrictions. The Corporation has one wholly owned subsidiary, Painted Pony Petroleum Corporation.

In order to further simplify its capital structure, Painted Pony wishes to amend its Articles to provide for the cancellation of its authorized common voting (the "**Common Voting Shares**") and non-voting shares (the "**Common Non-Voting Shares**") (collectively referred to as the "**Cancellation**"), of which no shares are issued or outstanding. The result of the Cancellation will be that Painted Pony will have three (3) classes of authorized shares, being the Class A Shares, the Class B Shares and preferred shares, issuable in series. Pursuant to the Cancellation, the Articles of the Corporation have to be further amended by removing in their entirety, the rights, privileges, restrictions and conditions attached to the authorized shares of the Corporation as set out in the Share Structure Schedule attached to the Articles of the Corporation in order to delete any references to the Common Voting and the Common Non-Voting Shares, and attaching to the Class A Shares, Class B Shares and preferred shares, issuable in series, the rights, privileges, restrictions and conditions set out in the Share Structure Schedule attached hereto as Schedule "C".

Based on the foregoing, Class A and Class B shareholders will be asked to consider, and if thought fit, to approve the special resolution below.

"BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

- (a) The Articles of the Corporation shall, pursuant to section 173(1)(h) of the *Business Corporations Act* (Alberta) (the "Act"), be amended by cancelling the classes of shares designated as Common Voting Shares and Common Non-Voting Shares, of which there are no issued or outstanding shares;
- (b) The Articles of the Corporation shall, pursuant to section 173(1)(e) of the Act, be amended by removing in their entirety, the rights, privileges, restrictions and conditions attached to the shares of the Corporation as set out in the Share Structure Schedule attached to the Articles of the Corporation, and attaching to Class A Shares, Class B Shares and preferred shares, issuable in series, the rights, privileges, restrictions and conditions set out in the Share Structure Schedule attached hereto as Schedule "C".
- (c) The directors of the Corporation may, in accordance with section 173(2) of the Act, revoke this special resolution before it is acted on without further approval of the shareholders of the Corporation.
- (d) Any one (1) director or officer of the Corporation be authorized for and on behalf of the Corporation to make all such arrangements, to do all acts and things and to sign and execute all documents and instruments in writing, whether under the corporate seal of the

Name and Principal Position	Year Ended Dec. 31 ⁽¹⁾	Annual Compensation			Long-Term Compensation			
		Salary	Bonus	Other Annual Compensation	Awards		LTIP ⁽³⁾ Payouts	All Other Compensation
					Options/ SARs ⁽²⁾ Granted (#)	Restricted Shares or Restricted Units		
President & Chief Executive Officer ⁽⁵⁾	2005	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Craig Reed	2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil
President & Chief Executive Officer ⁽⁶⁾	2006	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2005	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) No executive compensation was paid to Officers before May 16, 2007.
- (2) SARs means stock appreciation rights, being a right granted by the Corporation or any of its subsidiaries as compensation for employment services or office to receive cash or an issue or transfer of securities based wholly or in part on changes in the trading price of the Corporation's publicly traded securities.
- (3) LTIP means long-term incentive plan, being a plan providing compensation intended to motivate performance over a period greater than one (1) financial year. LTIPs do not include option or SAR plans or plans for compensation through shares or units that are subject to restrictions on resale.
- (4) No other Named Executive officers received a total salary and bonus exceeding \$150,000.
- (5) Mr. Maxwell ceased to be President and CEO of the Corporation on April 3, 2007.
- (6) Mr. Reed ceased to be President and CEO of the Corporation on February 13, 2007.

Long-Term Incentive Plans

The Corporation does not have any plan providing compensation intended to motivate performance over a period greater than one financial year, other than the Stock Option Plan.

Options and Stock Appreciation Rights

The following table sets forth information regarding the options granted to the Named Executive Officers of the Corporation during the financial year ended December 31, 2007.

Name	Class A Shares Under Options Granted in 2007 (#) ⁽¹⁾	% of Total Options Granted to Employees in 2007	Exercise Price (\$/ Class A Share)	Market Value of Class A Shares Underlying Options on the Date of Grant ⁽²⁾ (\$/ Share)	Expiration Date
Patrick R. Ward ⁽²⁾	Nil	Nil	Nil	Nil	Nil
Joan E. Dunne ⁽²⁾	Nil	Nil	Nil	Nil	Nil
Rod Maxwell ⁽³⁾	Nil	Nil	Nil	Nil	Nil
Craig Reed ⁽⁴⁾	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) These options vest as to one-third immediately upon grant, one-third on each of the first and second anniversaries of the date of grant.
- (2) On January 22, 2008, the Corporation granted options to purchase 1,347,000 Class A Shares to certain officers, directors, employees and consultants at an exercise price of \$3.97 per share.
- (3) Mr. Maxwell ceased to be President and CEO of the Corporation on April 3, 2007.

- (4) Mr. Reed ceased to be President and CEO of the Corporation on February 13, 2007.

The following table sets forth the number of options exercised by the Named Executive Officers during the last financial year, and the unexercised stock options and the value of in-the-money stock options held by the Named Executive Officers at December 31, 2007.

Name	Class A Acquired on Exercise (#)	Aggregate Value Realized (\$) ⁽¹⁾	Unexercised Options as at December 31, 2007 (#)		Value of Unexercised in-the- Money Options as at December 31, 2007 ⁽²⁾⁽³⁾ (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Patrick R. Ward	Nil	Nil	Nil	Nil	Nil	Nil
Joan E. Dunne	Nil	Nil	Nil	Nil	Nil	Nil
Rod Maxwell ⁽⁴⁾	Nil	Nil	Nil	Nil	Nil	Nil
Craig Reed ⁽⁵⁾	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Aggregate value realized is determined by subtracting the exercise price of each stock option exercised from the closing trading price for the Corporation's Class A on the Exchange on the day on which the options were exercised, multiplied by the number of Class A obtained on exercise of options. Note that all Class A Shares obtained on exercise of options may not have been sold, so that these values may not have been actually realized by the optionees.
- (2) Value is determined by calculating the difference between \$6.50, the closing price of the Class A on the Exchange on the last date the Class A traded on or before December 31, 2007, and the exercise price of the options, and then multiplying the difference by the number of Class A under option at the financial year end.
- (3) The Corporation had no Options outstanding as at December 31, 2007.
- (4) Mr. Maxwell ceased to be President and CEO of the Corporation on April 3, 2007.
- (5) Mr. Reed ceased to be President and CEO of the Corporation on February 13, 2007.

Termination of Employment, Change in Responsibilities and Employment Contracts

The Corporation does not currently have in place any employment contracts between the Corporation, nor any affiliate thereof and its Named Executive Officers.

Compensation of Directors

The by-laws of the Corporation provide that the directors shall be paid such remuneration for their services as the Board of Directors may from time to time determine. The directors shall also be entitled to be reimbursed for traveling and other expenses properly incurred by them in attending meetings of the Board of Directors or any committee thereof. Nothing contained in the by-laws shall preclude any director from serving the Corporation in any other capacity and receiving remuneration therefor.

Disclosure on compensation, including options, received by directors who are also Named Executive Officers is disclosed under "Compensation of Executive Officers and Directors - Compensation of Executive Officers."

Directors' Fees

Other than Craig Reed who received \$7,500 in directors fees during the financial year ended December 31, 2007, the Corporation did not pay any cash compensation to its outside directors as a

retainer or for attendance at board and committee meetings. Directors are entitled to be reimbursed for expenses actually incurred by them in their capacity as director.

Other Compensation

The Corporation has granted and intends to grant options to purchase Class A Shares to directors under the Stock Option Plan. See "Particulars of Matters to be Acted Upon - Ratification of Stock Option Plan" for details of the Stock Option Plan.

No options were exercised by the directors of the Corporation who are not Named Executive Officers during the financial year ended December 31, 2007.

Other than as described herein, the Corporation did not pay any other compensation to its directors during the financial year ended December 31, 2007.

EQUITY COMPENSATION PLAN

The Corporation has the Stock Option Plan under which equity securities of the Corporation (being Class A Shares) are granted. The following table sets forth summary information regarding the Corporation's equity compensation plans as at December 31, 2007.

Plan Category	Number of Class A Shares to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders: - Stock Option Plan ⁽¹⁾	Nil	Nil	1,645,630
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	Nil⁽²⁾		1,645,630⁽³⁾

Notes:

- (1) The maximum number of Class A Shares issuable upon the exercise of options granted under the Stock Option Plan is 10% of the issued and outstanding Class A Shares and Class B Shares of the Corporation.
- (2) On January 22, 2008, the Corporation granted options to purchase 1,347,000 Class A Shares to certain officers, directors and consultants at an exercise price of \$3.97 per share. As at April 7, 2008, there are 709,630 Class A Shares available for issuance under the Stock Option Plan.
- (3) As at December 31, 2007, the Corporation had 15,282,700 Class A Shares and 1,173,600 Class B Shares outstanding.
- (4) As at April 7, 2008, the Corporation has 19,392,700 Class A Shares and 1,173,600 Class B Shares issued and outstanding.

The Stock Option Plan provides that the Board of Directors may from time to time, in its discretion, grant to the directors, officers, employees, consultants and other personnel of the Corporation and its subsidiaries or affiliates options to purchase Class A Shares. The number of authorized but unissued Class A Shares that may be issued upon the exercise of options granted under the Stock Option Plan at any time plus the number of Class A Shares and Class B Shares reserved for issuance under outstanding incentive stock options otherwise granted by the Corporation shall not exceed 10% of the aggregate number of Class A Shares and Class B Shares. As at the date hereof, the aggregate number of

issued and outstanding Class A and Class B shares is 20,566,300 and a maximum of 2,056,630 Class A Shares are available for issuance under the Stock Option Plan. To date, options to purchase a total of 1,347,000 Class A Shares have been issued to directors, officers, employees and consultants of the Corporation.

The number of Class A Shares that may be reserved for issuance to any one person under options granted in any 12 month period shall not exceed 5% of the outstanding Class A and Class B Shares determined at the date of grant (or 2% of the issued and outstanding Class A and Class B Shares in the case of an optionee who is a consultant or who performs investor relations activities for the Corporation). The Board of Directors determines the price per Class A Share and the number of Class A Shares that may be allotted to each director, officer, employee and consultant and all other terms and conditions of the options, subject to the rules of the TSXV. The price per Class A Share set by the Board of Directors is subject to minimum pricing restrictions set by the TSXV.

The Stock Option Plan provides that if an option expires or terminates without having been exercised in full, the Class A Shares not purchased become available again under the Stock Option Plan. Options granted under the Stock Option Plan may be exercisable for a period of up to five (5) years, and may vest at such times as determined at the time of grant. The exercise price must be paid in full on any exercise of options.

If an optionee ceases to hold his position with the Corporation for any reason other than death, his options may be exercised within the earlier of the expiry date and 30 days after such position ends, but only to the extent the optionee was entitled to exercise the option at the date of such cessation. In the event of death of an optionee, his options shall vest and may be exercised within the earlier of the expiry date and one (1) year after his death. Options granted pursuant to the Stock Option Plan may not be transferred or assigned. The full text of the Stock Option Plan is set out in Schedule "B" hereto.

CORPORATE GOVERNANCE

General

The Board of Directors believes that good corporate governance improves corporate performance and benefits all shareholders. The Canadian Securities Administrators (the "CSA") have adopted National Policy 58-201 *Corporate Governance Guidelines*, which provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Corporation. In addition, the CSA have implemented National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("**NI 58-101**"), which prescribes certain disclosure by the Corporation of its corporate governance practices. This disclosure is presented below.

Board of Directors

Composition of the Board of Directors

The Board of Directors is comprised of six (6) directors, of whom each of Messrs. Talbot, Carley, Angus, Ashton and Reed are independent for the purposes of NI 58-101, so that a majority of the directors are independent. Mr. Ward is not independent as he is an executive officer of the Corporation.

Mr. Talbot is the Chairman of the Board of Directors of the Corporation, an independent director and is responsible for chairing meetings of the Board of Directors. As Chairman of the Board of Directors, he is responsible for providing direction to the Board of Directors in overseeing operations and

strategic planning. To that end, he calls meetings of Board of Directors as required between the regularly scheduled quarterly meetings, as issues of substance arise. He is readily available for consultation with the Corporation's Chief Executive Officer and Chief Financial Officer.

There are no special structures or processes in place to facilitate the functioning of the Board of Directors independently of the Corporation's management. However the independent directors are given full access to management so that they may express their own views and communicate their expectations of the management.

Certain of the directors are also directors of other reporting issuers, as follows:

Director	Other Reporting Issuers
Glenn R. Carley	Culane Energy Corp. Flagship Energy Inc. Galleon Energy Inc.
Kevin Angus	Pegasus Oil & Gas Inc.
Allan K. Ashton	Cobalt Energy Ltd.

The Board of Directors has appointed an Audit Committee, a Compensation Committee, a Corporate Governance Committee and a Reserves Sub Committee of the Audit Committee.

Mandate of the Board of Directors

The Board of Directors mandate includes among other duties and responsibilities: to approve and monitor the strategic, business and financial plans of the Corporation; to supervise performance and succession planning of senior officers; to assess the principal risk factors relating to the business of the Corporation; and to monitor and oversee the integrity of financial reporting and disclosure. Every Director is required to act honestly and in good faith and in the best interests of the Corporation and to exercise the care, diligence and skill of a reasonably prudent person. Responsibilities not delegated to senior management or to a committee of the Board of Directors remain those of the full Board of Directors.

Audit Committee

The Board of Directors has developed written terms of reference outlining the Audit Committee's roles and responsibilities and which provide appropriate guidance to Audit Committee members as to their duties. These terms of reference are reviewed annually by the Board of Directors. The Audit Committee reviews the annual and interim financial statements of the Corporation and makes recommendations to the Board of Directors with respect to such statements. The Audit Committee also reviews the nature and scope of the annual audit as proposed by the auditors and management, and the adequacy of the internal accounting control procedures and systems within the Corporation. The Audit Committee is responsible for ensuring that management has implemented an effective system of internal control and has oversight responsibility for management reporting on internal controls. Members of this committee include Messrs. Carley (Chairman), Ashton and Angus.

A copy of the Audit Committee Charter is attached as Schedule "D" hereto.

Reserves Sub Committee of the Audit Committee

The Board of Directors has appointed a Reserves Sub Committee of the Audit Committee. The Board of Directors has established a mandate for the Reserves Committee, which includes periodic review and updating of the Corporation's internal reserves data, meeting with the Corporation's independent reserves evaluators independent of management and reviewing the way the Corporation's reserves information is evaluated and presented.

The Reserves Sub Committee is comprised of Mr. Ashton (sole member and Chairman) who has the relevant experience in the oil and gas exploration and development industry. Mr. Ashton meets with the Corporation's independent engineers, reviews the reserve report, reviews the Corporation's procedures for providing, assembling and reporting information associated with the Corporation's oil and gas activities and assists as required in the preparation of required securities law filings related to such matters.

Compensation Committee

The Compensation Committee, whose role is to assist the Board of Directors in fulfilling its obligations relating to executive management and human resource matters, makes recommendations to the Board of Directors including evaluation of the Corporation's senior management compensation, awarding stock options, organization structure, management development and succession, employee benefits and pension plans, directors' compensation and such other matters as may be determined by the Board of Directors. Members of this committee include Messrs. Talbot (Chairman), Ashton and Carley.

Corporate Governance Committee

The Corporate Governance Committee has approved a mandate which includes among other duties and responsibilities: monitoring the effectiveness of the system of governance within the Corporation; assessing the effectiveness of the Board of Directors as a whole, committees of the Board of Directors and the contributions of individual members; and identifying, recommending, orienting and educating new directors. The Corporate Governance Committee is comprised of Messrs. Talbot (Chairman) and Angus.

The Board of Directors considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board of Director's duties effectively and to maintain a diversity of views and experience.

Orientation and Continuing Education of Board Members

New Board members receive an information package which includes reports on operations and results, the Corporation's Policies and committee mandates and public disclosure filings by the Corporation. Board committee meetings are sometimes held at the Corporation's offices and are combined with presentations by the Corporation's management and employees to give the directors additional insight into the Corporation's business. In addition, management of the Corporation makes itself available for discussion with all Board members.

Measures to Encourage Ethical Business Conduct

The Board of Directors has adopted a written code of ethics, as well as policies relating to trading in securities and non-public information of companies and whistleblower policies. The Board of Directors encourages and promotes a culture of ethical business conduct through various measures. The Board of

Directors discourages transactions involving related parties. To the extent that such transactions arise, full disclosure is required in accordance with the provisions of the ABCA, the corporate statute governing the Corporation. Conflicts, if any, will be subject to the procedures and remedies under the ABCA. The Board of Directors has delegated to executive management the appropriate financial and operational authority to execute the approved annual budget and operating plan and subsequent amendments thereof.

AUDIT COMMITTEE

In accordance with the policies of the TSXV, the Board has developed written terms of reference outlining the Audit Committee's roles and responsibilities and which provide appropriate guidance to Audit Committee members as to their duties. These terms of reference are reviewed annually by the Board of Directors. The Audit Committee reviews and approves the annual and interim financial statements of the Corporation and makes recommendations to the Board of Directors with respect to such statements. The Audit Committee also reviews the nature and scope of the annual audit as proposed by the auditors and management, and the adequacy of the internal accounting control procedures and systems within the Corporation. The Audit Committee is responsible to ensure that management has implemented an effective system of internal control and has oversight responsibility for management reporting on internal controls. The full text of the Audit Committee charter is attached as Schedule "D" hereto.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee is currently comprised of Glenn Carley, Kevin Angus and Allan Ashton, all of whom are financially literate and independent under Multilateral Instrument 52-110.

The following relevant education and experience of the members of the Audit Committee have been used in assessing their financial literacy:

Glenn Carley

Mr. Carley holds a Masters of Business Administration, a Bachelor of Laws degree and a Bachelor of Arts degree. Mr. Carley has been involved in the oil and gas industry for the past 29 years. From January 1994 to June 2001, Mr. Carley was Chairman and Chief Executive Officer of a Toronto Stock Exchange 300 listed oil and gas company with responsibility for all functions including financial oversight. From May 2003 to May 2005, Mr. Carley was Chairman and Chief Executive Officer of Galleon Energy Inc., with responsibility for all functions including financial oversight. Since June 2005, Mr. Carley has been Chairman and Chief Executive Officer of Flagship Energy Inc. with responsibility for all functions including financial oversight.

Kevin Angus

Mr. Angus holds a Bachelor of Science degree in Geology with a minor in Geophysics from the University of Calgary. Mr. Angus has been involved in the oil & gas industry for the last 25 years. Over 23 years of that experience has been in exploring for and the development of oil and gas in the Western Canadian Sedimentary Basin. Mr. Angus served as Vice President Exploration of Mustang Resources Ltd., a public oil & gas company, from 2002 to 2005 and worked closely with independent reserve evaluators to develop the required annual reserve reports. Since 2006, Mr. Angus has been Executive Vice President and Director of Pegasus Oil & Gas Inc., a public oil & gas company.

Allan Ashton

Mr. Ashton holds a Bachelor of Science degree in Chemical Engineering and has been involved in the oil and gas industry for the past 43 years. From 1965 to 1983 he worked for Gulf Canada Resources in areas of increasing responsibility and was Manager of Reserves and Reservoir Engineering when he left Gulf in 1983 to start his own consulting practice. During the past 25 years he has been involved in all aspects of the business including financial oversight and has grown the consulting company from two employees to more than 70. Today, AJM Petroleum Consultants is a tier one firm based in Calgary with a world wide client base. Mr. Ashton is also on the Board of Directors of Cobalt Energy Ltd., a junior oil and gas company based in Calgary.

PRE-APPROVAL POLICIES AND PROCEDURES

Pre-approval of audit related, tax and other non-audit services

The following services have been pre-approved by the Board of Directors and are recurring or otherwise reasonably expected to be provided. The Audit Committee will be subsequently informed, quarterly, of the services on the attached list for which the auditor has been actually engaged.

Audit

- Audit of the Company's financial statements;
- Reviews of the unaudited interim financial statements of the Company;
- Services associated with prospectuses, private placements, business acquisition reports, periodic reports and other documents filed with securities regulatory bodies or other documents issued in connection with securities offerings (e.g., comfort letters and consent letters) and assistance in responding to comment letters from securities regulatory bodies; and
- Consultations with the Company's management as to the accounting or disclosure treatment of transactions or events.

Audit-related services

- Due diligence services related to accounting and tax matters in connection with potential acquisitions/dispositions;
- Advice, documentation assistance, and review with respect to internal controls over financial reporting and disclosure controls and procedures of the Company; and
- Consultation with the Company's management as to the conversion to IFRS.

Tax services

- Assistance with the preparation of corporate income tax returns and related schedules;
- Assistance in responding to Canada Revenue Agency on proposed reassessments and other matters; and
- Assistance and advising on routine planning matters.

Other services

- French translation associated with prospectuses or other documents filed with regulatory bodies.

Approval of additional services

Any additional non-prohibited service will be submitted to the chairman of the Audit Committee for consideration and approval. The full Audit Committee will subsequently be informed of the service, at its next meeting. The engagement may commence upon approval of the chairman of the Audit Committee.

EXTERNAL AUDITOR SERVICE FEES (BY CATEGORY)

The following table provides information about the fees billed to the Corporation for professional services rendered by Soberman LLP and KPMG LLP during fiscal 2007.

	<u>2007 (Soberman LLP)⁽¹⁾</u>	<u>2007 (KPMG LLP)</u>
Audit Fees ⁽²⁾⁽³⁾	\$31,662.00	\$23,000.00
Audit-Related Fees	0.00	0.00
Tax Fees ⁽⁴⁾	1,000.00	41,448.11
All other Fees ⁽⁵⁾	5,000.00	0.00
Total:	\$37,662.00	\$64,448.11

Notes:

- (1) Soberman LLP was the Corporation's auditors until August 15, 2007,
- (2) Audit fees for professional services rendered by Soberman LLP and KPMG LLP for the audit of the Corporation's annual consolidated financial statements as well as services provided in connection with statutory and regulatory filings.
- (3) Audit and non-audit fees for professional services rendered by KPMG LLP with respect to services provided in connection with statutory and regulatory filings.
- (4) Tax fee for tax compliance, tax advice and tax planning.
- (5) All other fees related to limited procedures performed by the Corporation's auditors related to interim reports.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES

No current or former director, executive officer or employee of the Corporation or its subsidiary is indebted to the Corporation or its subsidiary or to any other entity where the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or its subsidiary.

No person who is or at any time during the most recently completed financial year of the Corporation was a director or executive officer of the Corporation or any proposed nominee for election as a director of the Corporation, nor any associate of any such person, is or at any time since the beginning of the most recently completed financial period of the Corporation has been indebted to the Corporation or its subsidiary or whose indebtedness to another entity is or at any time since the beginning of the most recently completed financial period of the Corporation has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or its subsidiary under a securities purchase program or any other program.

MANAGEMENT CONTRACTS

Management functions of the Corporation are performed by the directors and executive officers of the Corporation and are not to any substantial degree performed by any other person.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than as set forth in this Information Circular, the management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer at any time since the beginning of the Corporation's last financial year or any proposed nominee for election as a director, or any associate or affiliate of any of the foregoing persons, in any matter to be acted upon at the Meeting other than the election of directors. All of the directors and officers may receive options pursuant to the Stock Option Plan. See "Particulars of Matters to be Acted Upon - Ratification of Stock Option Plan".

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set forth in this Information Circular, the management of the Corporation is not aware of any material interest, direct or indirect, of any informed person of the Corporation or any proposed nominee as a director of the Corporation, or any associate or affiliate of any such person in any transaction since the commencement of the Corporation's most recently completed financial period, or in any proposed transaction, that has materially affected or would materially affect the Corporation or any of its subsidiaries.

ADDITIONAL INFORMATION

Financial information regarding the Corporation is provided in the Corporation's consolidated financial statements and management's discussion and analysis for its most recently completed financial period. Securityholders of the Corporation may contact the Corporation at 402, 620-12th Avenue S.W., Calgary, Alberta, T2R 0H5, Phone: (403) 475-0440 or Fax: (403) 238-1487 to request copies of the Corporation's consolidated financial statements and management's discussion and analysis.

GENERAL

All matters referred to herein for approval by the shareholders require a majority of the shareholders voting, in person or by proxy, at the Meeting. The contents and sending of this Information Circular have been approved by the Board of Directors of the Corporation.

Unless otherwise stated, the information contained herein is given as of the 7th day of April, 2008.

THIS IS SCHEDULE "A" ATTACHED TO AND MADE A PART OF THE INFORMATION CIRCULAR IN CONNECTION WITH THE ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF PAINTED PONY PETROLEUM LTD. TO BE HELD ON JUNE 4, 2008, AND ANY ADJOURNMENT THEREOF

PAINTED PONY PETROLEUM LTD.

CHANGE OF AUDITORS REPORTING PACKAGE

**NOTICE OF CHANGE OF AUDITORS OF
PAINTED PONY PETROLEUM LTD.**

PAINTED PONY PETROLEUM LTD. (the “**Corporation**”) has received the resignation of Soberman LLP, Chartered Accountants, (“**Soberman**”) as the auditors of the Corporation. The Corporation wishes to appoint KPMG LLP, Chartered Accountants (“**KPMG**”), as the replacement auditors of the Corporation. In the opinion of the Corporation, throughout the period Soberman were the Corporation’s auditors, there have been no reservations in the auditors’ reports or any “reportable events” as that term is defined in Section 4.11 of *National Instrument 51-102: Continuous Disclosure Obligations*. The resignation of Soberman has not occurred because of any reportable disagreement or unresolved issue involving the Corporation, or any consultation with the successor auditor. The decision to nominate KPMG as replacement auditors was considered and approved by the Corporation’s board of directors.

DATED as of the 24th of August, 2007.

PAINTED PONY PETROLEUM LTD.

Per: “*Joan Dunne*”

Joan Dunne, Vice President of Finance and
Chief Financial Officer

August 29, 2007

Alberta Securities Commission
British Columbia Securities Commission
Nova Scotia Securities Commission
Ontario Securities Commission
Saskatchewan Financial Services Commission
TSX Venture Exchange Inc.

Dear Sirs/Mesdames:

Re: Painted Pony Petroleum Ltd. (the "Corporation")

As required by Section 4.11 of *National Instrument 51-102: Continuous Disclosure Obligations*, we have read the Corporation's Notice of Change of Auditors dated August 24, 2007 (the "**Notice**"). We confirm that we are in agreement with the statements contained in the Notice as they relate to us.

Yours very truly,



SOBERMAN LLP
Chartered Accountants
Licensed Public Accountants
Toronto, Ontario





KPMG LLP
Chartered Accountants
2700-205 5 Avenue SW
Calgary AB T2P 4B9

Telephone (403) 691-8000
Telefax (403) 691-8008
Internet www.kpmg.ca

Alberta Securities Commission
British Columbia Securities Commission
Nova Scotia Securities Commission
Ontario Securities Commission
Saskatchewan Financial Services Commission – Securities Division
TSX Venture Exchange

Dear Sirs/Mesdames

Notice of Change of Auditors of Painted Pony Petroleum Ltd.

We have been provided with and read the Notice of Change of Auditor dated August 24, 2007 (the “Notice”) provided as required under National Instrument 51-102 (the “Instrument”) by Painted Pony Petroleum Ltd. (the “Company”). Pursuant to subsection 4.11(6)(a)(ii)(B) of the Instrument, we confirm our agreement with all the statements contained in the Notice. This confirmation is based on our knowledge of the information as of this date.

We understand that the Notice of Change of Auditor, along with this letter and a similar letter from Soberman LLP will be provided to the Company’s registered shareholders with the meeting materials relating to the Company’s next annual general meeting of shareholders.

Yours very truly

Chartered Accountants

Calgary, Canada
September 11, 2007

THIS IS SCHEDULE "B" ATTACHED TO AND MADE A PART OF THE INFORMATION CIRCULAR IN CONNECTION WITH THE ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF PAINTED PONY PETROLEUM LTD. TO BE HELD ON JUNE 4, 2008, AND ANY ADJOURNMENT THEREOF

PAINTED PONY PETROLEUM LTD.

STOCK OPTION PLAN

1. Purpose

The purpose of the Plan is to provide an incentive to the directors, officers, employees, consultants and other personnel of the Corporation or any of its subsidiaries to achieve the longer-term objectives of the Corporation; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation; and to attract to and retain in the employ of the Corporation or any of its subsidiaries, persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation.

2. Definitions and Interpretation

When used in this Plan, unless there is something in the subject matter or context inconsistent therewith, the following words and terms shall have the respective meanings ascribed to them as follows:

- (a) **"Board of Directors"** means the Board of Directors of the Corporation;
- (b) **"Class A Shares"** means class A shares in the capital of the Corporation;
- (c) **"Class B Shares"** means class B shares in the capital of the Corporation;
- (d) **"Corporation"** means Painted Pony Petroleum Ltd. and any successor corporation and any reference herein to action by the Corporation means action by or under the authority of its Board of Directors or a duly empowered committee appointed by the Board of Directors;
- (e) **"Discounted Market Price"** means the last per share closing price for the Class A Shares on the Exchange before the date of grant of an Option, less any applicable discount under Exchange Policies;
- (f) **"Exchange"** means the TSX Venture Exchange Inc. or any other stock exchange on which the Class A Shares are listed;
- (g) **"Exchange Policies"** means the policies of the Exchange, including those set forth in the Corporate Finance Manual of the Exchange;
- (h) **"Insider"** has the meaning ascribed thereto in Exchange Policies;

- (i) **"Option"** means an option granted by the Corporation to an Optionee entitling such Optionee to acquire a designated number of Class A Shares from treasury at a price determined by the Board of Directors;
- (j) **"Option Period"** means the period determined by the Board of Directors during which an Optionee may exercise an Option, not to exceed a period of 5 years from the date the Option is granted unless the Corporation receives the permission of the stock exchange or exchanges on which the Shares are then listed and as specifically provided by the Board, and as permitted under the rules of any stock exchange or exchanges on which the Shares are then listed, and in any event, no Option shall be exercisable for a period exceeding 10 years from the date the Option is granted.
- (k) **"Optionee"** means a person who is a director, officer, employee, consultant or other personnel of the Corporation or a subsidiary of the Corporation; a corporation wholly-owned by such persons; or any other individual or body corporate who may be granted an option pursuant to the requirements of the Exchange, who is granted an Option pursuant to this Plan; and
- (l) **"Plan"** shall mean the Corporation's incentive stock option plan as embodied herein and as from time to time amended.

Capitalized terms in the Plan that are not otherwise defined herein shall have the meaning set out in the Exchange Policy, including without limitation "Consultant", "Employee", "Insider", "Investor Relations Activities", "Management Company Employee", "Tier 1 Issuer" and "Tier 2 Issuer".

Wherever the singular or masculine is used in this Plan, the same shall be construed as meaning the plural or feminine or body corporate and vice versa, where the context or the parties so require.

3. Administration

The Plan shall be administered by the Board of Directors. The Board of Directors shall have full and final discretion to interpret the provisions of the Plan and to prescribe, amend, rescind and waive rules and regulations to govern the administration and operation of the Plan. All decisions and interpretations made by the Board of Directors shall be binding and conclusive upon the Corporation and on all persons eligible to participate in the Plan, subject to shareholder approval if required by the Exchange. Notwithstanding the foregoing or any other provision contained herein, the Board of Directors shall have the right to delegate the administration and operation of the Plan to a special committee of directors appointed from time to time by the Board of Directors, in which case all references herein to the Board of Directors shall be deemed to refer to such committee.

4. Eligibility

The Board of Directors may at any time and from time to time designate those Optionees who are to be granted an Option pursuant to the Plan and grant an Option to such Optionee. Subject to Exchange Policies and the limitations contained herein, the Board of Directors is authorized to provide for the grant and exercise of Options on such terms (which may vary as between Options) as it shall determine. No Option shall be granted to any person except upon recommendation of the Board of Directors. A person who has been granted an Option may, if he is otherwise eligible and if permitted by Exchange Policies, be granted an additional Option or Options if the Board of

Directors shall so determine. Subject to Exchange Policies, the Corporation shall represent that the Optionee is a bona fide Employee, Consultant or Management Company Employee (as such terms are defined in Exchange Policies) in respect of Options granted to such Optionees.

5. Participation

Participation in the Plan shall be entirely voluntary and any decision not to participate shall not affect an Optionee's relationship or employment with the Corporation.

Notwithstanding any express or implied term of this Plan or any Option to the contrary, the granting of an Option pursuant to the Plan shall in no way be construed as conferring on any Optionee any right with respect to continuance as a director, officer, employee or consultant of the Corporation or any subsidiary of the Corporation.

Options shall not be affected by any change of employment of the Optionee or by the Optionee ceasing to be a director or officer of or a consultant to the Corporation or any of its subsidiaries, where the Optionee at the same time becomes or continues to be a director, officer or full-time employee of or a consultant to the Corporation or any of its subsidiaries.

Options will not be granted to an officer, employee or consultant of the Corporation, unless such Participant is a *bona fide* officer, employee or consultant of the Corporation.

No Optionee shall have any of the rights of a shareholder of the Corporation in respect to Class A Shares issuable on exercise of an Option until such Class A Shares shall have been paid for in full and issued by the Corporation on exercise of the Option, pursuant to this Plan.

6. Shares Subject to Options

The number of authorized but unissued Class A Shares that may be issued upon the exercise of Options granted under the Plan at any time plus the number of Class A Shares reserved for issuance under outstanding incentive stock options otherwise granted by the Corporation shall not exceed 10% of the issued and outstanding Class A Shares and Class B Shares on a non-diluted basis at any time, and such aggregate number of Class A Shares shall automatically increase or decrease as the number of issued and outstanding Class A Shares and Class B Shares changes. Unless the Corporation receives the permission of the stock exchange or exchanges on which the Shares are listed to exceed such threshold, the Options granted under the Plan together with all of the Corporation's other previously established stock option plans or grants, shall not result at any time in:

- (a) the number of Class A Shares reserved for issuance pursuant to Options granted to Insiders exceeding 10% of the issued and outstanding Class A Shares and Class B Shares;
- (b) the grant to Insiders within a 12 month period, of a number of Options exceeding 10% of the outstanding Class A Shares and Class B Shares; or
- (c) the grant to any one (1) Optionee within a twelve month period, of a number of Options exceeding 5% of the issued and outstanding Class A Shares and Class B Shares.

Subject to Exchange Policies, the aggregate number of Class A Shares reserved for issuance to any one (1) Optionee under Options granted in any 12 month period shall not exceed 5% of the issued and outstanding Class A Shares and Class B Shares determined at the date of grant (or 2%

of the issued and outstanding Class A Shares and Class B Shares in the case of an Optionee who is a Consultant or an Employee conducting Investor Relations Activities (as such terms are defined in Exchange Policies)).

Appropriate adjustments shall be made as set forth in Section 14 hereof, in both the number of Class A Shares covered by individual grants and the total number of Class A Shares authorized to be issued hereunder, to give effect to any relevant changes in the capitalization of the Corporation.

If any Option granted hereunder shall expire or terminate for any reason without having been exercised in full, the unpurchased Class A Shares subject thereto shall again be available for the purpose of the Plan.

7. Option Agreement

A written agreement will be entered into between the Corporation and each Optionee to whom an Option is granted hereunder, which agreement will set out the number of Class A Shares subject to option, the exercise price and any other terms and conditions approved by the Board of Directors, all in accordance with the provisions of this Plan (herein referred to as the "Stock Option Agreement"). The Stock Option Agreement will be in such form as the Board of Directors may from time to time approve, and may contain such terms as may be considered necessary in order that the Option will comply with any provisions respecting options in the income tax or other laws in force in any country or jurisdiction of which the Optionee may from time to time be a resident or citizen or the rules of any regulatory body having jurisdiction over the Corporation.

8. Option Period and Exercise Price

Each Option and all rights thereunder shall be expressed to expire on the date set out in the respective Stock Option Agreement, which shall be the date of the expiry of the Option Period (the "Expiry Date"), subject to earlier termination as provided in Sections 10 and 11 hereof.

Subject to Exchange Policies and any limitations imposed by any relevant regulatory authority, the exercise price of an Option granted under the Plan shall be as determined by the Board of Directors when such Option is granted and shall be an amount at least equal to the Discounted Market Price of the Class A Shares.

9. Exercise of Options

An Optionee shall be entitled to exercise an Option granted to him at any time prior to the expiry of the Option Period, subject to Sections 10 and 11 hereof and to vesting limitations which may be imposed by the Board of Directors at the time such Option is granted. Subject to Exchange Policies, the Board of Directors may, in its sole discretion, determine the time during which an Option shall vest and the method of vesting, or that no vesting restriction shall exist.

The exercise of any Option will be conditional upon receipt by the Corporation at its head office of a written notice of exercise, specifying the number of Class A Shares in respect of which the Option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such Class A Shares with respect to which the Option is being exercised.

Class A Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Class A Shares pursuant thereto shall comply

with all relevant provisions of applicable securities law, and the requirements of any stock exchange or consolidated stock price reporting system on which prices for the Class A Shares are quoted at any given time. As a condition to the exercise of an Option, the Corporation may require the person exercising such Option to represent and warrant at the time of any such exercise that the Class A Shares are being purchased only for investment and without any present intention to sell or distribute such Class A Shares if, in the opinion of counsel for the Corporation, such a representation is required by law.

10. Ceasing to be a Director, Officer, Employee or Consultant

If an Optionee ceases to be a director, officer, employee or consultant of the Corporation or its subsidiaries for any reason other than death, the Optionee may, but only within thirty (30) days after the Optionee's ceasing to be a director, officer, employee or consultant (or 30 days in the case of an Optionee engaged in Investor Relations Activities) or prior to the expiry of the Option Period, whichever is earlier, exercise any Option held by the Optionee, but only to the extent that the Optionee was entitled to exercise the Option at the date of such cessation. For greater certainty, any Optionee who is deemed to be an employee of the Corporation pursuant to any medical or disability plan of the Corporation shall be deemed to be an employee for the purposes of the Plan.

11. Death of Optionee

In the event of the death of an Optionee, the Option previously granted to him shall be exercisable within one (1) year following the date of the death of the Optionee or prior to the expiry of the Option Period, whichever is earlier, and then only:

- (a) by the person or persons to whom the Optionee's rights under the Option shall pass by the Optionee's will or the laws of descent and distribution, or by the Optionee's legal personal representative; and
- (b) to the extent that the Optionee was entitled to exercise the Option at the date of the Optionee's death.

12. Optionee's Rights Not Transferable

No right or interest of any Optionee in or under the Plan is assignable or transferable, in whole or in part, either directly or by operation of law or otherwise in any manner except by bequeath or the laws of descent and distribution, subject to the requirements of the Exchange, or as otherwise allowed by the Exchange.

Subject to the foregoing, the terms of the Plan shall bind the Corporation and its successors and assigns, and each Optionee and his heirs, executors, administrators and personal representatives.

13. Takeover or Change of Control

The Corporation shall have the power, in the event of:

- (a) any disposition of all or substantially all of the assets of the Corporation, or the dissolution, merger, amalgamation or consolidation of the Corporation with or into any other corporation or of such corporation into the Corporation, or
- (b) any change in control of the Corporation,

to make such arrangements as it shall deem appropriate for the exercise of outstanding Options or continuance of outstanding Options, including without limitation, to amend any Stock Option Agreement to permit the exercise of any or all of the remaining Options prior to the completion of any such transaction. If the Corporation shall exercise such power, the Option shall be deemed to have been amended to permit the exercise thereof in whole or in part by the Optionee at any time or from time to time as determined by the Corporation prior to the completion of such transaction.

14. Anti-Dilution of the Option

In the event of:

- (a) any subdivision, redivision or change of the Class A Shares at any time during the term of the Option into a greater number of Class A Shares, the Corporation shall deliver, at the time of any exercise thereafter of the Option, such number of Class A Shares as would have resulted from such subdivision, redivision or change if the exercise of the Option had been made prior to the date of such subdivision, redivision or change;
- (b) any consolidation or change of the Class A Shares at any time during the term of the Option into a lesser number of Class A Shares, the number of Class A Shares deliverable by the Corporation on any exercise thereafter of the Option shall be reduced to such number of Class A Shares as would have resulted from such consolidation or change if the exercise of the Option had been made prior to the date of such consolidation or change;
- (c) any reclassification of the Class A Shares at any time outstanding or change of the Class A Shares into other shares, or in case of the consolidation, amalgamation or merger of the Corporation with or into any other corporation (other than a consolidation, amalgamation or merger which does not result in a reclassification of the outstanding Class A Shares or a change of the Class A Shares into other shares), or in case of any transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation, at any time during the term of the Option, the Optionee shall be entitled to receive, and shall accept, in lieu of the number of Class A Shares to which he was theretofore entitled upon exercise of the Option, the kind and amount of shares and other securities or property which such holder would have been entitled to receive as a result of such reclassification, change, consolidation, amalgamation, merger or transfer if, on the effective date thereof, he had been the holder of the number of Class A Shares to which he was entitled upon exercise of the Option.

Adjustments shall be made successively whenever any event referred to in this section shall occur. For greater certainty, the Optionee shall pay for the number of shares, other securities or property as aforesaid, the amount the Optionee would have paid if the Optionee had exercised the Option prior to the effective date of such subdivision, redivision, consolidation or change of the Class A Shares or such reclassification, consolidation, amalgamation, merger or transfer, as the case may be.

15. Costs

The Corporation shall pay all costs of administering the Plan.

16. Termination and Amendment

- (a) The Board of Directors may amend or terminate this Plan or any outstanding Option granted hereunder at any time without the approval of the shareholders of the Corporation or any Optionee whose Option is amended or terminated, in order to conform this Plan or such Option, as the case may be, to applicable law or regulation or the requirements of the Exchange or any relevant regulatory authority, whether or not such amendment or termination would affect any accrued rights, subject to the approval of the Exchange or such regulatory authority.
- (b) The Board of Directors may amend or terminate this Plan or any outstanding Option granted hereunder for any reason other than the reasons set forth in Section 16(a) hereof, subject to the approval of the Exchange or any relevant regulatory authority and the approval of the shareholders of the Corporation if required by the Exchange or such regulatory authority. Subject to Exchange Policies, disinterested shareholder approval will be obtained for any reduction in the exercise price of an Option if the Optionee is an Insider of the Corporation at the time of the proposed amendment. No such amendment or termination will, without the consent of an Optionee, alter or impair any rights which have accrued to him prior to the effective date thereof.
- (c) The Plan, and any amendments thereto, shall be subject to acceptance and approval by the Exchange. Any Options granted prior to such approval and acceptance shall be conditional upon such approval and acceptance being given and no such Options may be exercised unless and until such approval and acceptance are given.

17. Applicable Law

This Plan shall be governed by, administered and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

18. Effective Date

This Plan shall become effective as of and from, and the effective date of the Plan shall be May 17, 2007, subject to receipt of all necessary regulatory approvals.

THIS IS SCHEDULE "C" ATTACHED TO AND MADE A PART OF THE INFORMATION CIRCULAR IN CONNECTION WITH THE ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF PAINTED PONY PETROLEUM LTD. TO BE HELD ON JUNE 4, 2008, AND ANY ADJOURNMENT THEREOF

PAINTED PONY PETROLEUM LTD.

SHARE STRUCTURE SCHEDULE

The Corporation is authorized to issue:

- an unlimited number of Class A Shares;
- an unlimited number of Class B Shares;
- an unlimited number of Preferred Shares (issuable in series);

having attached thereto the rights, privileges, restrictions and conditions hereinafter set forth.

A. CLASS A SHARES

There shall be attached to the Class A Shares, the following rights, privileges, restrictions and conditions, namely:

1. The holders of the Class A Shares shall be entitled to receive notice of and to attend and vote at all meetings of shareholders of the Corporation (other than meetings of the holders of any class of shares meeting as a class or the holders of one or more series of any class of shares meeting as a series) and shall be entitled to one vote in respect of each Class A Share held.
2. The holders of the Class A Shares shall have the right, subject to any prior rights of the holders of Preferred Shares of the Corporation, to receive any dividends declared by the directors of the Corporation on the Class A Shares. No dividend shall be declared or paid on the Class A Shares unless a dividend, calculated in accordance with Section B.3, is also declared and paid on each Class B Share.
3. The holders of Class A Shares shall have the right to receive the remaining assets of the Corporation in the event of liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary, subject to any prior rights of the holders of the Preferred Shares of the Corporation.

B. CLASS B SHARES

There shall be attached to the Class B Shares, the following rights, privileges, restrictions and conditions, namely:

In these Class B Share provisions, the following words have the following meanings:

- (a) "Conversion Rate" at any date shall mean that number which is equal to the fraction of or number of Class A Shares of the Corporation which may be issued upon the conversion of one (1) Class B Share and shall be determined by dividing \$10.00 by the greater of (i)

\$1.00 and (ii) the Current Market Price of the Class A Shares at the effective date of conversion;

- (b) "Current Market Price" at any date shall mean the weighted average trading price per share for Class A Shares for any 30 consecutive Trading Days selected by the Corporation and commencing not more than 45 Trading Days before such date on the TSX Venture Exchange, or, if the Class A Shares are not then listed thereon, on such stock exchange on which the Class A Shares are listed as may be selected for such purpose by the directors, or if such Class A Shares are not listed on any stock exchange, then on the over-the-counter market. The weighted average trading price shall be determined by dividing the aggregate sale price of all Class A Shares sold on the said exchange or market, as the case may be, during the said 30 consecutive Trading Days by the total number of such Class A Shares so sold. In the event the foregoing cannot be determined, then the Current Market Price shall be established by a qualified independent valuer approved by the board of directors;
 - (c) "Trading Day" at any date shall mean a day on which no less than a board lot of Class A Shares of the Corporation has traded; and
 - (d) "Transfer Agent" means the transfer agent for the time being of the Class B Shares.
4. The holders of the Class B Shares shall be entitled to receive notice of and to attend and vote at all meetings of shareholders of the Corporation (other than meetings of the holders of any class of shares meeting as a class or the holders of one or more series of any class of shares meeting as a series) and shall be entitled to one vote in respect of each Class B Share held.
5. The holders of the Class B Shares shall have the right, subject to any prior rights of the holders of Preferred Shares of the Corporation, to receive any dividends declared by the board of directors of the Corporation on the Class B Shares. The dividend for each Class B Share shall be equivalent to the dividend that would have been paid if the Class B Share had been converted into Class A Shares at the Conversion Rate on the date notice of the dividend was given. No dividend shall be declared or paid on the Class A Shares unless a dividend, as calculated above, is also declared and paid on each Class B Share and no dividend shall be declared or paid on the Class B Shares unless concurrently therewith the same dividend in respect of, or the same benefit is conferred upon the holders of Class A Shares.
6. The Class B Shares shall be converted into Class A Shares of the Corporation in the event of liquidation, dissolution, or winding-up of the Corporation, whether voluntary or involuntary. The conversion shall occur and the Conversion Rate shall be calculated on the date of public notice of liquidation, dissolution or winding-up of the Corporation.
7. (a) Subject to Section B.4, the Class B Shares may be converted, at the option of the Corporation, at any time, and from time to time, after June 30, 2010 and before 5:00 p.m. (Calgary time) on June 30, 2012 into Class A Shares of the Corporation at the Conversion Rate.
- (b) If and whenever the Corporation shall reclassify the Class A Shares at any time outstanding or change the Class A Shares into other shares, the Conversion Rate shall be adjusted such that the holder of any Class B Shares thereafter shall be entitled to receive upon conversion of the Class B Shares, and shall accept, in lieu of the number of Class A Shares to which he was theretofore entitled upon such conversion, the kind and amount of shares and other securities or property which such holder would have been entitled to

receive as a result of such reclassification or change, if, on the effective date thereof, he had been the registered holder of the number of Class A Shares to which he was theretofore entitled upon conversion of the Class B Shares. The subdivision or consolidation of the Class A Shares at any time outstanding into a greater or lesser number of Class A Shares shall be deemed not to be a reclassification of the capital of the Corporation for the purpose of this paragraph.

- (c) Forthwith after any adjustment pursuant to subsection (b), the Corporation shall file with the Transfer Agent, if any, a certificate certifying as to the nature of such adjustment and, in reasonable detail, the event requiring and the manner of computing such adjustment. The Corporation shall also at such time give written notice to the registered holders of Class B Shares of the basis of conversion and the Conversion Rate following such adjustment.
- (d) Upon conversion of any Class B Shares into Class A Shares, the Corporation shall make a payment to the holder of such Class B Shares of an amount equal to all dividends declared and unpaid on such Class B Shares at the date of conversion, but shall make no payment or adjustment on account of any dividends on the Class A Shares issuable upon such conversion.
- (e) The Corporation shall not issue fractional Class A Shares in satisfaction of the conversion rights herein provided but in lieu thereof shall, in respect of any fractional interest resulting from the exercise of conversion rights, round up the number of Class A Shares issuable upon conversion to the next highest whole number of Class A Shares, provided each beneficial holder of Class B Shares shall only be entitled to one such rounding-up each time Class B Shares are converted.
- (f) Until 5:00 p.m. (Calgary time) on August 1, 2012, the Corporation shall reserve and set aside out of its authorized and unissued Class A Shares a sufficient number of such Class A Shares to outstanding Class B Shares on the terms provided in this B.5 and Section B.6.
- (g) Nothing contained in this Section B.5 or Section B.6 shall affect or restrict the right of the Corporation to increase the number of its Class A Shares or to issue additional Class A Shares from time to time. All Class A Shares issued upon any conversion of Class B Shares as hereinbefore provided shall be fully paid and non-assessable.
- (h) If, in the opinion of the board of directors of the Corporation, the provisions of this Section B.5 are not strictly applicable, or if strictly applicable would not fairly protect the rights of the holders of the Class B Shares in accordance with the intent and purposes hereof, the board of directors shall make any adjustment in such provisions as the board of directors deems appropriate having regard to the best interests of the holders of the Class B Shares.
- (i) On any conversion of Class B Shares pursuant to the provisions of this Section B.5, the Corporation shall, not less than five (5) days prior to the day specified for conversion, mail to each person who at the date of mailing is a registered holder of Class B Shares to be converted, a notice in writing of the intention of the Corporation to convert such Class B Shares. Accidental failure or omission to give such notice to one or more of such holders shall not affect the validity of such conversion. Such notice shall set out the Current Market Price of the Class A Shares and the Conversion Rate on the effective date

of the conversion and, in the case of partial conversion, the number of Class B Shares of such holder to be converted.

- (j) Within three (3) business days following the effective date of conversion pursuant to the provisions of this Section B.5, the Corporation shall authorize and direct the registrar and Transfer Agent of the Class A Shares of the Corporation to issue certificates for the Class A Shares issuable upon conversion of the Class B Shares so called for conversion. Holders of the Class B Shares to be converted shall be entitled to receive certificates representing the Class A Shares issuable upon conversion upon presentation and surrender at the registered office of the Corporation or at the principal office of the registrar and Transfer Agent of the Class A Shares in the City of Calgary, or at such other place or places in Canada as may be specified in the notice of conversion, of the certificates held by them respectively representing the Class B Shares so called for conversion. Such Class B Shares so converted shall thereupon be restored to the status of authorized but unissued shares. If a part only of the Class B Shares represented by any certificate shall be converted, a new certificate for the balance of the Class B Shares shall, as soon as practicable, be issued at the expense of the Corporation. From and after the effective date of conversion of any Class B Shares, the holders thereof shall be deemed to be holders of Class A Shares and shall not be entitled to exercise any of the rights of holders of Class B Shares in respect of the Class B Shares converted unless the issue of certificates for Class A Shares shall not be made upon presentation and surrender of certificates for the Class B Shares to be converted in accordance with the foregoing provisions, in which case the rights of the holders of Class B Shares shall remain unaffected.
 - (k) The Corporation shall have the right at any time after mailing a notice of conversion of any Class B Shares as aforesaid to send by prepaid registered mail certificates representing the Class A Shares issuable upon conversion to the address of the holders of the Class B Shares so called for conversion as set forth in the register of the Corporation. The Class B Shares in respect of which such certificates shall have been mailed shall be deemed to have been converted and shall be restored to the status of authorized but unissued shares. The holders thereof shall have no further rights in respect thereof after the effective date of the conversion.
8. (a) If the Corporation fails to exercise the option to convert the Class B Shares into Class A Shares as set out in Section B.5 by 5:00 p.m. (Calgary time) on June 30, 2012, then the Class B Shares may be converted, at the option of the holder, at any time, and from time to time after July 1, 2012 and before August 1, 2012, into Class A Shares of the Corporation at the Conversion Rate.
- (b) The conversion right for which provision is made in this Section B.6 may be exercised by notice in writing given to the Transfer Agent accompanied by the share certificate or certificates representing the Class B Shares in respect of which the holder desires to exercise such conversion privilege and such notice shall be signed by the holder of the Class B Shares in respect of which such right is being exercised or by his duly authorized representative and shall specify the number of Class B Shares which the holder desires to have converted. The holder shall also pay any governmental or other tax imposed on or in respect of such conversion; upon receipt of such notice and certificate or certificates, the Corporation shall, effective as of the date of such receipt, issue or cause to be issued a certificate or certificates representing fully paid Class A Shares upon the basis above prescribed to the holder of such Class B Shares. If less than all of the Class B Shares represented by any certificates are to be converted the holder shall be entitled to receive a

new certificate representing the Class B Shares represented by the original certificate which are not to be converted.

9. In the event that any of the outstanding Class B Shares have not been converted pursuant to Sections B.5 or B.6 by 5:00 p.m. (Calgary time) on August 1, 2012, then all of the Class B Shares outstanding on August 1, 2012 shall be converted into Class A Shares of the Corporation at the Conversion Rate effective as at August 1, 2012 and the provisions of Section B.5 shall apply.

C. **PREFERRED SHARES (ISSUABLE IN SERIES)**

There shall be attached to the Preferred Shares, the following rights, privileges, restrictions and conditions, namely:

1. The directors of the Corporation may, from time to time, issue the Preferred Shares in one or more series, each series to consist of such number of shares as may before issuance thereof, be determined by the directors.
2. The directors of the Corporation may, by resolution (subject as hereinafter provided) fix before issuance, the designation, rights, privileges, restrictions and conditions to attach to the Preferred Shares of each series, including, without limiting the generality of the foregoing, the rate, form, entitlement and payment of preferential dividends, the redemption price, terms, procedures and conditions of redemption, if any, voting rights and conversion rights (if any) and any sinking fund, purchase fund or other provisions attaching to the Preferred Shares of such series; and provided however, that no shares of any series shall be issued until the directors have filed an amendment to the Articles with the Registrar of Corporations for the Province of Alberta, or such designated person in any other jurisdiction in which the Corporation may be continued.
3. If any cumulative dividends or amounts payable on return of capital in respect of a series of shares are not paid in full, the shares of all series shall participate ratably in respect of accumulated dividends and return of capital.
4. The Preferred Shares shall be entitled to preference over the Class A Shares and the Class B Shares of the Corporation and any other shares of the Corporation ranking junior to the Preferred Shares with respect to the payment of dividends, if any, and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, and may also be given such other preferences over the Class A Shares and Class B Shares of the Corporation and any other shares of the Corporation ranking junior to the Preferred Shares as may be fixed by the resolution of the directors of the Corporation as to the respective series authorized to be issued.
5. The Preferred Shares of each series shall rank on a parity with the Preferred Shares of every other series with respect to priority in the payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary exclusive of any conversion rights that may affect the aforesaid.
6. No dividends shall at any time be declared or paid on, or set apart for payment on, any shares of the Corporation ranking junior to the Preferred Shares unless all dividends, if any, up to and including the dividend payable for the last completed period for which such dividend shall be payable on each series of Preferred Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such declaration or payment or setting apart for payment on such shares of the Corporation ranking junior to the Preferred Shares nor shall the

Corporation call for redemption or redeem or purchase for cancellation or reduce or otherwise pay off any of the Preferred Shares (less than the total amount then outstanding) or any shares of the Corporation ranking junior to the Preferred Shares unless all dividends up to and including the dividend payable, if any, for the last completed period for which such dividends shall be payable on each series of the Preferred Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such call for redemption, purchase, reduction or other payment.

7. Preferred Shares of any series may be purchased for cancellation or made subject to redemption by the Corporation out of capital pursuant to the provisions of the *Business Corporations Act* (Alberta), if the directors so provide in the resolution of the board of directors of the Corporation relating to the issuance of such Preferred Shares, and upon such other terms and conditions as may be specified in the designations, rights, privileges, restrictions and conditions attaching to the Preferred Shares of such series as set forth in the said resolution of the board of directors and the amendment to the Articles of the Corporation relating to the issuance of such series.
8. The holders of the Preferred Shares shall not, as such, be entitled as of right to subscribe for or purchase or receive any part of any issue of shares or bonds, debentures or other securities of the Corporation now or hereafter authorized.
9. No class of shares may be created or rights and privileges increased to rank in parity or priority with the rights and privileges of the Preferred Shares including, without limiting the generality of the foregoing, the rights of the Preferred Shares to receive dividends or to return of capital, without the approval of the holders of the Preferred Shares as required under the *Business Corporations Act* (Alberta).

THIS IS SCHEDULE "D" ATTACHED TO AND MADE A PART OF THE INFORMATION CIRCULAR IN CONNECTION WITH THE ANNUAL AND SPECIAL MEETING OF THE SHAREHOLDERS OF PAINTED PONY PETROLEUM LTD. TO BE HELD ON JUNE 4, 2008, AND ANY ADJOURNMENT THEREOF

PAINTED PONY PETROLEUM LTD.

AUDIT COMMITTEE CHARTER

OVERALL ROLE AND RESPONSIBILITY

The Audit Committee shall:

- (a) assist the Board of Directors in its oversight role with respect to:
 - (i) the quality and integrity of financial information;
 - (ii) the independent auditor's performance, qualifications and independence;
 - (iii) the performance of the Corporation's internal audit function, if applicable; and
 - (iv) the Corporation's compliance with legal and regulatory requirements and
- (b) prepare such reports of the Audit Committee required to be included in the Proxy Circular in accordance with applicable laws or the rules of applicable securities regulatory authorities.

MEMBERSHIP AND MEETINGS

The Audit Committee shall consist of three or more Directors appointed by the Board of Directors, all of whom shall be independent and unrelated to the Corporation and as such shall not be officers (other than a non-executive Chairman or Corporate Secretary who is not an employee of the Corporation) or employees of or have a meaningful business relationship with the Corporation or any of the Corporation's affiliates or be an immediate family member of any of the foregoing. Each of the members of the Audit Committee shall satisfy the applicable independence and financial literacy of the laws governing the Corporation, the applicable stock exchanges on which the Corporation's securities are listed and applicable securities regulatory authorities.

The Board of Directors shall designate one member of the Audit Committee as the Committee Chair. Each member of the Audit Committee shall be financially literate as such qualification is interpreted by the Board of Directors in its business judgment.

STRUCTURE AND OPERATIONS

The affirmative vote of a majority of the members of the Audit Committee participating in any meeting of the Audit Committee is necessary for the adoption of any resolution.

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The Committee shall report to the Board of Directors on its activities after each of its meetings at which time

minutes of the prior Committee meeting shall be tabled for the Board.

The Audit Committee shall review and assess the adequacy of this Charter periodically and, where necessary, will recommend changes to the Board of Directors for its approval.

The Audit Committee is expected to establish and maintain free and open communication with management and the independent auditor and shall periodically meet separately with each of them.

SPECIFIC DUTIES

Oversight of the Independent Auditor

- Make recommendations to the board for the appointment and replacement of the independent auditor.
- Responsibility for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Audit Committee.
- Authority to pre-approve all audit services and permitted non-audit services (including the fees, terms and conditions for the performance of such services) to be performed by the independent auditor.
- Evaluate the qualifications, performance and independence of the independent auditor, including (i) reviewing and evaluating the lead partner on the independent auditor's engagement with the Corporation, and (ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence.
- Obtain from the independent auditor and review the independent auditor's report regarding the management internal control report of the Corporation to be included in the Corporation's annual proxy circular, as required by applicable law.
- Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law (currently at least every 5 years).

Financial Reporting

- Review and discuss with management and the independent auditor:
 - prior to the annual audit the scope, planning and staffing of the annual audit,
 - the annual audited financial statements,
 - the Corporation's annual and quarterly disclosures made in management's discussion and analysis,
 - approve any reports for inclusion in the Corporation's Annual Report, as required by applicable legislation,

- the Corporation's quarterly financial statements, including the results of the independent auditor's review of the quarterly financial statements and any matters required to be communicated by the independent auditor under applicable review standards,
 - significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements,
 - any significant changes in the Corporation's selection or application of accounting principles,
 - any major issues as to the adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies, and
 - other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
- Discuss with the independent auditor matters relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information and any significant disagreements with management.

AUDIT COMMITTEE'S ROLE

The Audit Committee has the oversight role set out in this Charter. Management, the Board of Directors, the independent auditor and the internal auditor (if any) all play important roles in respect of compliance and the preparation and presentation of financial information. Management is responsible for compliance and the preparation of financial statements and periodic reports. Management is responsible for ensuring the Corporation's financial statements and disclosures are complete, accurate, in accordance with generally accepted accounting principles and applicable laws. The Board of Directors in its oversight role is responsible for ensuring that management fulfills its responsibilities. The independent auditor, following the completion of its annual audit, opines on the presentation, in all material respects, of the financial position and results of operations of the Corporation in accordance with Canadian generally accepted accounting principles.

FUNDING FOR THE INDEPENDENT AUDITOR AND RETENTION OF OTHER INDEPENDENT ADVISORS

The Corporation shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of issuing an audit report and to any advisors retained by the Audit Committee. The Audit Committee shall also have the authority to retain such other independent advisors as it may from time to time deem necessary or advisable for its purposes and the payment of compensation therefor shall also be funded by the Corporation.

Approval of Audit and Permitted Non-Audit Services Provided by External Auditors

Over the course of any year there will be two levels of approvals that will be provided. The first is the existing annual Audit Committee approval of the audit engagement and identifiable permitted non-audit services for the coming year. The second is in-year Audit Committee pre-approvals of proposed audit and permitted non-audit services as they arise.

Any proposed audit and permitted non-audit services to be provided by the External Auditor to the Corporation or its subsidiaries must receive prior approval from the Audit Committee, in accordance with

this Protocol. The Chief Financial Officer shall act as the primary contact to receive and assess any proposed engagements from the External Auditor.

Following receipt and initial review for eligibility by the primary contacts, a proposal would then be forwarded to the Audit Committee for review and confirmation that a proposed engagement is permitted.

In the majority of such instances, proposals may be received and considered by the Chair of the Audit Committee (or such other member of the Audit Committee who may be delegated authority to approve audit and permitted non-audit services), for approval of the proposal on behalf of the Audit Committee. The Audit Committee Chair will then inform the Audit Committee of any approvals granted at the next scheduled meeting.